

GLOBAL
INITIATIVE FOR
**FISCAL
TRANSPARENCY**



**The GIFT High Level Principles
on Fiscal Transparency,
Participation and Accountability**

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Overview

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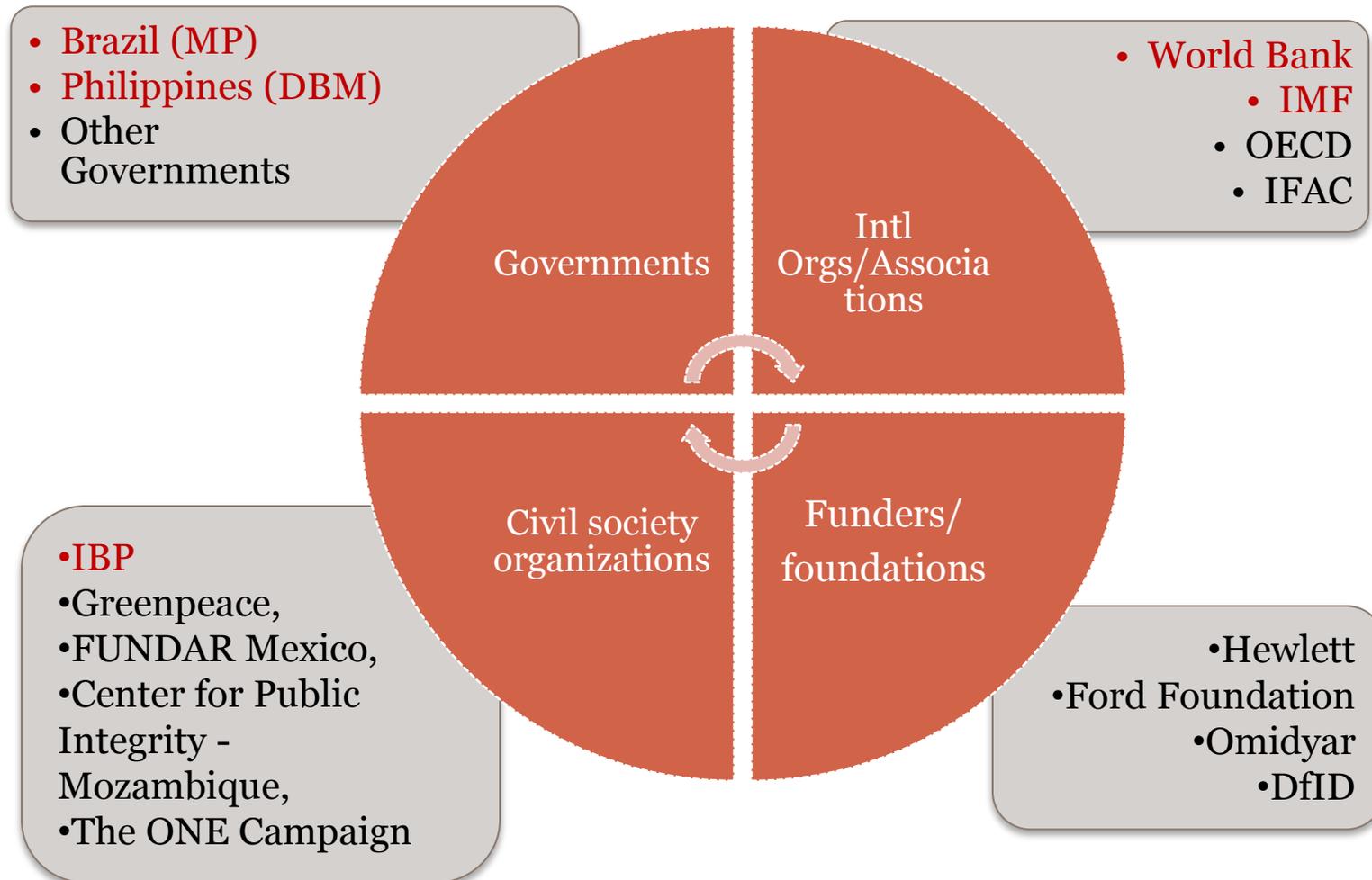
- What is GIFT?
- Why a new set of principles on fiscal transparency?
- The Expanded High Level Principles on Fiscal Transparency, Participation and Accountability

The GIFT Value Proposition

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*This multi-stakeholder action-network
will contribute to
significant improvements
in fiscal transparency,
engagement, and accountability
in the world
by advancing incentives, norms,
technical assistance and new technologies.*

GIFT Stewards



GIFT Achievements and Agenda

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- **Achievements:**
 - Global Norms Development – High Level Principles; public participation research
 - Global political agenda setting – UN, G20, MDGs
 - Norms coherence – promoting convergence between IMF Code, PEFA, OBI, draft OECD High Level Principles of Budgetary Governance

- **Agenda 2014-16:**
 - Framework and Action Agenda for Strengthening Incentives (Open Government Partnership Fiscal Openness Working Group; private sector)
 - Norms development: participation; legislative oversight; public service delivery; environmental impacts
 - Research on causes and impacts of FT
 - Broaden and deepen GIFT membership

Why a new set of Fiscal Transparency Principles?

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- Growing multiplicity of standards and norms
- Aim to sit above and improve coherence, comprehensiveness and alignment of existing norms and standards
- Stocktake of global norms: Phase I and II reports
- Identified gaps and overlaps (post-GFC; new emphasis on public participation)
- Draft adopted by GIFT Stewards in August 2012
- Endorsed by UN General Assembly December 2012

Scope of Fiscal Policy in High Level Principles

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- Taxation, borrowing, spending, investment and management of public resources (stocks and flows)
- In technical terms: public policies implemented through the provision of *non-market services*, and the *redistribution* of income and wealth, *financed primarily by taxes* and other compulsory levies on nongovernment sectors
- Incorporates the three familiar levels of fiscal management:
1) Aggregate fiscal policy; 2) Allocation of resources in line with policy priorities; 3) Efficient and effective public services
- Distinct from regulatory, monetary, and commercial policies
- Covers policy design, implementation, ex post review

The High Level Principles

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- 10 is the magic number
- Preamble, plus 2 parts:
 - Access to Fiscal Information (principles 1-4)
 - The Governance of Fiscal Policy (principles 5-10)
- Bookended by two ‘new’ rights principles:
 - A public right to fiscal information
 - A right to participate directly in fiscal policy design and implementation

Expanded High Level Principles

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- Intended to support dissemination and application of the Principles (Guide, not Manual)
- For each principle, discusses:
 - Why important
 - Definition of key terms
 - Origins
 - How reflected in current norms and standards
 - Selected country examples
 - Sources of further information and guidance

Principle 1: Access to Fiscal Information

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Everyone has the right to seek, receive and impart information on fiscal policies...

- Info. a precondition for accountability, participation
- Drawn from ICCPR Art. 19
- General FOI laws in many countries
- Index of legal environment for FOI laws (out of 150):
Germany 37, Serbia 135
- Ombudsman/I.C. to investigate practices
- In practice, access to fiscal information highly variable and often low

Principle 2: Macro-Fiscal Policy

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Governments should publish clear and measureable objectives for aggregate fiscal policy, regularly report progress, and explain deviations.

- Basic to accountability in any sphere
- Esp. important for resource dependent countries
- A requirement in main international FT norms
- Reflected in number of national laws, and EU
- Open Budget Survey finds relatively weak practices
- Good practices: South Africa, Chile, EU members

Principle 3: High Quality Fiscal Information

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Presentation of high quality financial and non-financial information on past, present, and forecast fiscal activities, performance, fiscal risks, assets and liabilities.

- Legal obligation; consistency; assurances of integrity
- High quality info. a precondition
- Covered in international FT, PFM, budget, accounting, auditing, statistics standards/manuals
- Open Budget Survey main quantitative source of info. on practices:
 - In 2012 OBI 26 countries published no or scant information
 - Some big changes 2006-2012:
 - Average score increased from 47 to 57/100
 - Afghanistan +51 points; Honduras + 42
 - Egypt – 36; Zambia - 32

Principle 3: High Quality Fiscal Information

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- **Good practices:**
 - Coverage of non-financial public sector: a number of countries in Latin America
 - Full financial statements: UK, Iceland, Australia, NZ, Switzerland
 - Natural resource transparency: Norway, Botswana, Chile, Timor Leste
- **Individual country assessments by IMF, PEFA, OECD, IBP**

Principle 4: Outputs and Outcomes

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Governments should communicate objectives and outputs, and endeavour to assess and disclose the anticipated and actual social, economic and environmental outcomes.

- Traditional focus on inputs inadequate
- Standards focus on financial data
- No norm on environmental impacts of fiscal policies
- OBS 2012: < 50% of 94 countries publish non-financial info. in budgets; <25% in year end reports
- Good practices from OBS: Chile, France, Korea, NZ, South Africa

Principle 5: Rule of Law

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All public sector financial transactions should have their basis in law.

- Laws published; subject to independent review
- International standards cover legal framework for PFM e.g. IMF FT Code, PEFA, IMF Resource Transparency Guide
- Assessments of practices in Fiscal ROSCs, PEFA reports
- South Africa PFMA 1999 often cited as good modern budget law

Principle 6: Public and Private Sector

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Government sector clearly defined, and financial relationships with private sector disclosed, open, and follow clear rules and procedures.

- Accountability requires clarity about which institutions exercising fiscal functions
- Boundary with private sector problematic
- Standards include GFSM2001; IPSAS; ESA 1995; procurement (OECD, PEFA, CoST); IMF FTC; EITI.
- Accrual financial statements: systematic entity-by- entity test of ownership and control
- PPPs: Chile

Principle 7: Clarity of Roles

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Roles and responsibilities clear between the three branches of government, between levels of government, and within the public sector.

- Precondition for accountability
- Typically in Constitution or Budget Law
- Standards include current IMF FTC and Resource Revenue Transparency Guide; PEFA; ESA 1995

Principle 8: Legislative Oversight

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No government revenue should be raised or expenditure committed without the approval of the legislature...it should have the authority, resources, and information to hold the executive to account....

- Legislative approval ensures public scrutiny, key to accountability
- International standards focus more on info. to be provided to legislature rather than its authority, resources, organisation and operations
- OBS and PEFA do cover these issues; plus IPU *Parliament and Democracy in 21st Century: Guide to Good Practice*
- OBS 2012 found that in around 50% of countries legislature has insufficient time and resources to analyse budget proposal; and executive can transform the budget during implementation
- US, Brazil, France and Korea have strong independent technical support for legislature on fiscal policy
- Recent trend to establish Parliamentary Budget Offices

Principle 9: Independent Audit

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The SAI should have statutory independence and the mandate, access to information, and resources to audit and report publicly on public finances. It should itself be independent, accountable and transparent.

- Independent audit fundamental in public and private sectors, recognized in all FT standards
- INTOSAI Standards
- OBI 2012 average score for SAI strength is 69/100, only 14 SAIs rated weak
- Strong performers from OBS: Scandinavian countries, NZ

Principle 10: Direct Public Participation

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Citizens and non-state actors should have the right and effective opportunities to participate directly in public debate over the design and implementation of fiscal policies.

- Regarded as increasingly important to FT, but lack of international standards/norms
- Drawn from ICCPR Art. 25
- Scope covers whole budget cycle, rev. and exp. policies, public services, public investment
- IPU Guide to Good Practice
- OBS 2012 introduced questions on public engagement by executive, legislature and SAI. Most countries provide few opportunities (average score 19/100).
- Strongest performers include Korea, Brazil and Philippines

Feedback on Expanded High Level Principles

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- A working draft, comments and input sought:
 - Additional info. on standards and norms
 - Sources of guidance and further information
 - Additional sources of info. and data on country practices
 - Additional country examples - including at sub-national level - and diverse range of examples
 - Accuracy and completeness
 - How to make it more useful

References

- Expanded High Level Principles:
<http://fiscaltransparency.net/2013/07/expanded-high-level-principles-on-fiscal-transparency/>
- UNGA Resolution on Fiscal Transparency, Participation and Accountability:
http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/67/218&Lang=E
- GIFT Stocktake of Global Norms: Phase I and II reports:
<http://fiscaltransparency.net/working-groups/advancing-global-norms/>
- Case studies and synthesis on public participation in fiscal policy:
<http://fiscaltransparency.net/2014/01/seeking-comment-on-draft-participation-case-studies-and-synthesis/>
- Report on strengthening incentives for fiscal transparency:
<http://fiscaltransparency.net/category/gift-documents/>